Registered Number: 00283556

T. M. Sutton Limited

Annual Report and Financial Statements

for the year ended 30 June 2017

Directors and company information

Directors

T Deakin
A Smith

Company Secretary

L Biondi

Auditor

Deloitte LLP
Statutory Auditor
Four Brindley Place
Birmingham
United Kingdom
B1 2HZ

Bankers

The Royal Bank of Scotland
Corporate Banking
East Midlands
PO Box 7895
6th Floor
Cumberland Place
Nottingham
United Kingdom
NG1 7ZS

Solicitors

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1 Royal Standard Place
Nottingham
United Kingdom
NG1 6FZ

Registered Office

6 Bevis Marks
London
United Kingdom
EC3A 7BA

Strategic report for the year ended 30 June 2017

The directors present their Strategic Report for T. M. Sutton Limited (the "Company") for the year ended 30 June 2017.

Principal activities

The principal activities of the Company continued to be that of pawnbroking and jewellery retailing.

Business review

At 30 June 2017 the business operated from 5 retail stores in the UK (2016: 5 stores).

The results for the year are set out on page 10. The profit for the year, after tax and exceptional costs, amounted to £95,000 (2016: loss of £423,000).

Key performance indicators (KPIs)

The key performance indicators as used by the management of the Company to monitor performance are listed below:

	2017 £000	2016 £000	Change %
Turnover	7,153	8,188	(13%)
Operating loss	(284)	(189)	(50%)
Average number of retail stores	5	6	(17%)

Turnover decreased by 13% in 2017 compared to the prior year, as a result of the store closures in the prior year. During the year the Company operated from 5 retail stores (2016: 9 retail stores until September 2015, and 5 retail stores for the remainder of the year).

Principal risks and uncertainties

The main risks arising from the Company's activities are liquidity risk, credit risk, regulatory risk and precious metal price risk.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient resources to meet its financial obligations as they fall due. The Company aims to mitigate liquidity risk by managing the cash generation of its operations through the utilisation of the Group's Treasury department to ensure that cash holdings are utilised effectively.

Strategic report for the year ended 30 June 2017 (continued)

Credit risk

Credit risk is the risk of financial loss to the Company due to a counterparty's failure to honour its financial obligations, arising principally in relation to the bought gold and unredeemed pawnbroking items, both of which are sent to a third party for smelting.

The Company's secured lending policies are aimed at minimising such losses and define the requirements necessary to ensure that the Company can operate within its credit risk appetite and business strategy. The Company has in place procedures that set out the rules and statements that the Company adopts in its approach to, and the management of, items pledged as security against a pawn loan. Such procedures ensure that there are controls around interest rates, lending rates and valuations.

Regulatory risk

The Financial Conduct Authority ("FCA") assumed regulatory oversight of the Company's consumer lending business in 2014. On 27 July 2016, the Company was granted full authorisation by the FCA.

There is a risk that the Company fails to comply with the regulatory requirements, and suffers detrimental consequences of those failures. The FCA have the power to charge fines, suspend the Company's authorisation to operate or fully withdraw that authorisation. This would result in the Company being unable to operate in the FCA as an authorised entity. The Company is able to manage the risk by having:

- An experienced Board both in Credit and FCA regulated businesses;
- Dedicated Internal Audit and Compliance functions; and
- Well-developed procedures, training, systems and operational controls.

Precious metal price risk

The income of the Company continues to be driven by pawnbroking and jewellery retailing. There is a risk that a significant fall in the gold price would impact the security of pledges and the revenues from scrap operations. The Company is able to manage the risk by:

- Maintaining an appropriate margin between the pledge value (or purchase price for Bought Gold) and gold price;
- Encouraging customers to redeem their pawned items;
- Managing stock disposition through retail windows; and
- Ensuring items are recorded in the balance sheet at the lower of cost and net realisable value, and re-valued on a monthly basis using the spot rate at the month end date; and
- By reducing the value lent against precious metals following a reduction in the market value of the same (including Bought Gold).

Strategic report for the year ended 30 June 2017 (continued)

Future developments

The directors expect the general level of activity to remain stable in the forthcoming year.

On behalf of the Board

Tony Deakin

T Deakin
Director

Date: December 21, 2017 | 2:31 PM GMT

Address of registered office:
6 Bevis Marks
London
United Kingdom
EC3A 7BA

Directors' report

The directors present their Annual Report and the audited financial statements of T.M. Sutton Limited (the "Company") for the year ended 30 June 2017.

Directors and directors' interests

The directors who served the Company during the year and up to the date of signing these financial statements were as follows:

S Howard	(resigned 19 September 2017)
T Deakin	(appointed 3 October 2017)
A Smith	

The directors have no declarable interest in the shares of the Company or of any other group company.

Disclosure of information to the auditor

Each person who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Directors' indemnities

Qualifying third party indemnity provisions for the benefit of the directors were in force during the year under review and remain in force at the date of approval of the directors' report and financial statements.

Financial risk management objectives and policies

Details of financial risk management policies can be found in the Strategic Report which begins on page 2 and form part of this report by cross-reference.

Dividends

The directors do not recommend the payment of a dividend (2016: £nil).

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Directors' report (continued)

Employee consultation

The Company takes its responsibilities seriously regarding employee involvement. Efforts are made to ensure employees are provided with information on matters of concern to them, consulted regularly so that their views are taken into account in making decisions which may affect their interests, and made aware of the economic factors affecting the performance of the Company.

Going concern

The statement of financial position shows net assets of £11,200,000 at 30 June 2017. The ultimate parent undertaking, Lone Star Fund VIII (U.S.) L.P., has agreed to provide financial support to the Company for at least one year following the signature date of these financial statements.

Accordingly, the directors have a reasonable expectation that the company will have adequate resources to continue its operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Future developments

Details of future developments can be found in the Strategic Report which begins on page 2 and form part of this report by cross-reference.

Approved by the board and signed on its behalf by:

Tony Deakin

T Deakin
Director

Date: December 21, 2017 | 2:31 PM GMT

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of T.M. Sutton Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of T.M. Sutton Limited (the 'Company') which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the significant accounting policies; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material

Independent auditors' report

to the members of T.M. Sutton Limited (continued)

misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Independent auditors' report

to the members of T.M. Sutton Limited (continued)

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

S Cumberbatch.

Stewart Cumberbatch, FCA
Senior statutory auditor
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom

Date: 21 December 2017

Statement of Comprehensive Income

for the year ended 30 June 2017

	Note		**2017 £'000**		2016 £'000
Turnover	3		**7,153**		8,188
Cost of sales			**(3,931)**		(3,688)
Gross profit			**3,222**		4,500
Exceptional costs – store closures		**-**		(1,661)	
Administrative expenses		**(3,506)**		(3,028)	
Total administrative expenses			**(3,506)**		(4,689)
Operating loss	4		**(284)**		(189)
Interest payable and similar charges			**(141)**		(234)
Loss on ordinary activities before taxation			**(425)**		(423)
Tax on ordinary activities	7		**520**		-
Profit/(Loss) and total comprehensive income for the financial year, attributable to the equity shareholders of the Company			**95**		(423)

All amounts relate to continuing activities

Balance Sheet

As at 30 June 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Intangible fixed assets	8	**136**	174
Tangible fixed assets	9	**586**	750
Investments	10	**-**	-
		722	924
Current assets			
Stocks	11	**2,587**	3,133
Debtors: amounts falling due within one year	12	**8,253**	13,777
Cash at bank and in hand		**934**	1,386
		11,774	18,296
Current liabilities			
Provision for liabilities	16	**(308)**	(319)
Creditors: amounts falling due within one year	13	**(742)**	(7,501)
Net current assets		**10,724**	10,476
Total assets less current liabilities		**11,446**	11,400
Creditors: amounts falling due after more than one year	14	**(246)**	(295)
Net assets		**11,200**	11,105
Capital and reserves			
Called up share capital	17	**70**	70
Profit and loss account		**11,130**	11,035
Shareholders' funds		**11,200**	11,105

The financial statements on pages 11 to 26 were approved and authorised for issue by the Board of Directors on the date shown below and were signed on its behalf by:

Tony Deakin

T Deakin
Director

Date: December 21, 2017 | 2:31 PM GMT

Statement of changes in equity
for the year ended 30 June 2017

	Called-up share capital £'000	Profit and loss account £'000	**Total £'000**
At 1 July 2015	70	11,458	**11,528**
Loss and total comprehensive income for the year	-	(423)	**(423)**
At 1 July 2016	70	11,035	**11,105**
Profit and total comprehensive income for the year	-	95	**95**
At 30 June 2017	70	11,130	**11,200**

Notes to the financial statements
for the year ended 30 June 2017

1. Significant accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

Basis of preparation

T.M. Sutton Limited is a private company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report which begins on page 2.

The financial statements have been prepared under the historical cost convention and in accordance with FRS 102 issued by the Financial Reporting Council and Companies Act 2006.

The financial statements are presented in pounds sterling which is considered to be the Company's functional currency because that is the currency of the primary economic environment in which the Company operates. The amounts presented in the financial statements are rounded to the nearest thousand.

Going concern

The statement of financial position shows net assets of £11,200,000 at 30 June 2017. The ultimate parent undertaking, Lone Star Fund VIII (U.S.) L.P., has agreed to provide financial support to the Company for at least one year following the signature date of these financial statements.

Accordingly, the directors have a reasonable expectation that the company will have adequate resources to continue its operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Group financial statements

The Company has taken advantage of the exemption to not prepare group financial statements for its group under section 401 of the Companies Act 2006 on the grounds that:

- the Company and all of its subsidiaries are included in the group financial statements of Sterling Mid-Holdings Limited drawn up to 30 June 2017; and
- the group financial statements of Sterling Mid-Holdings Limited are drawn up in a manner equivalent to group financial statements drawn up in accordance with the provisions of the Seventh Directive.

Consequently, the financial statements only contain information about T.M. Sutton Limited as an individual company and do not contain group financial information as the parent of a group. These financial statements are available on request from the Company Secretary at 74 E Swedesford Road, Malvern, PA 19355.

Cash flow statement

The Company is exempt from the requirements of section 7 of FRS 102 and therefore has not prepared a cash flow statement. Its results are included within the group financial statements of its parent undertaking, Sterling Mid-Holdings Limited, and these financial statements are available on request from the Company Secretary at 74 E Swedesford Road, Malvern, PA 19355.

Notes to the financial statements
for the year ended 30 June 2017

1. Significant accounting policies (continued)

Turnover

The revenue of the Company represents interest receivable and similar charges. Interest income and similar charges are accounted for on an accrual basis and is recognised on the effective interest rate (EIR), which is the rate that exactly discounts estimated cash receipts through the expected life of the financial asset to its net carrying amount.

Turnover from retail jewellery sales is stated net of VAT and discounts where applicable, and is recognised when the significant risks and rewards are considered to have been transferred to the buyer, namely when the goods are physically received by the customer.

Intangible assets – goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is estimated to be 20 years. Under the transitional provisions of FRS 102, as the combination took place before the transition date, the estimated useful economic life has remained at 20 years.

Goodwill is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Internally developed software ("IDS") arises on the capitalisation of costs incurred which meet the recognition of intangible assets criteria under FRS 102. The costs are capitalised and amortised on a straight line basis over its useful economic life, which is estimated to be 10 years.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, except freehold land and work in progress (WIP), at rates calculated to write off the cost or valuation, less any estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Leasehold property	10% to 20% per annum straight line basis
Furniture and equipment	20% per annum straight line basis
Computer equipment	33% per annum straight line basis
Purchased software (major)	20% per annum straight line basis
Purchased software (minor)	33% per annum straight line basis
Fixtures and fittings	20% per annum straight line basis

Items within work in progress are assets not brought into use in the business, when these items are ready for use depreciation is calculated as per the asset category the item relates to. The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Notes to the financial statements
for the year ended 30 June 2017

1. Significant accounting policies (continued)

Investments

Investments held as fixed assets are stated at cost, less any provision for permanent diminutions in value.

The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Stock – goods for resale

Goods for resale are items which have been purchased under normal terms of business and are held for resale.

Goods for resale are stated within the balance sheet at cost unless there is indication that the future sale price of the item will not recover the full carrying cost held in the balance sheet. Where there is an indication that this event may occur, a net realisable value provision is created against the value of the item for resale.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value, unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the criteria, as laid out in FRS 102 section 11.9, are subsequently measured at amortised cost using the effective interest method.

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the criteria, as laid out in FRS 102 section 11.9, are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of any impairment.

Debt instruments which do not meet the criteria, as laid out in FRS 102 section 11.9, are measured at fair value through profit and loss.

Notes to the financial statements

for the year ended 30 June 2017

1. Significant accounting policies (continued)

Financial assets are derecognised when and only when (a) the contractual rights to the cash flows from the financial asset expire or are settled, (b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Impairment of financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Tax

The charge for tax is based on the result for the year and takes into consideration timing differences arising as a result of different treatments of certain items for tax and accounting purposes.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for deferred tax that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the financial statements
for the year ended 30 June 2017

1. Significant accounting policies (continued)

Pensions

The Company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Operating leases

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the term of the relevant lease. Prior to the transition to FRS 102, incentives received in relation to the operating leases were recognised over the period to the next rent review. Under the transitional provisions of FRS 102, this treatment has continued for lease incentives negotiated before the date of transition. Lease incentives negotiated after the date of transition are recognised over the life of the lease in line with FRS 102.

2. Critical accounting judgements in applying the accounting policies

Key sources of estimation uncertainty – provision for impairment of secured loans
Management have considered whether a provision for future losses on secured pawn loans issued to customers is required in order to show a true and fair view. It is the directors' view that no provision is required.

In making this decision, management have considered the fact that the average loan to value ("LTV") ratio is relatively low, ensuring that the majority of loans that are not settled by the customer have sufficient security to recover amounts due to the Company. As at the date of signing the financial statements, the gold price has remained stable since the year end, providing further comfort around the loans that are secured by items of gold.

3. Turnover

Turnover is attributable to the principal activities of the Company and arises solely within the United Kingdom. Turnover can be analysed as follows:

	2017	2016
	£'000	£'000
Sale of goods	**4,093**	4,263
Interest income	**3,060**	3,925
	7,153	8,188

Notes to the financial statements
for the year ended 30 June 2017

4. Operating profit/(loss)

This is stated after charging:

	2017	2016
	£'000	£'000
Depreciation of tangible fixed assets	**171**	274
Amortisation of intangibles	**38**	16
Operating lease rentals – land and buildings	**526**	551

The Company's audit fee of £48,204 (2016: £46,350) for the current and preceding year, payable to Deloitte LLP was paid by DFC Global Corp. Non-audit services are £nil for the current year as well as for the previous year.

5. Directors' remuneration

The directors of the Company are also directors of a number of other companies in the Sterling Mid-Holdings group.

Directors' remuneration has been borne by a fellow group company, Instant Cash Loans Limited. The directors of the company are also directors or officers of a number of the companies within the Sterling Mid-Holdings Limited group. The directors consider that the level of their qualifying services provided to the Company is £155,466 (2016: £201,000).

6. Staff costs

	2017	2016
	£'000	£'000
Wages and salaries	**704**	918
Social security costs	**71**	109
Other pension costs	**11**	17
	786	1,044

The average monthly number of employees during the year, including directors, was made up as follows:

	2017	2016
	No.	No.
Administration	**-**	1
Sales	**23**	30
	23	31

Notes to the financial statements
for the year ended 30 June 2017

7. Tax

(a) Tax on loss on ordinary activities

The tax charge is made up as follows:

	2017 £'000	2016 £'000
Current tax:		
UK corporation tax on the loss for the year	-	-
Adjustments in respect of previous years	520	-
Total current tax credit (note 7(b))	520	-
Deferred tax:		
Total deferred tax	-	-
Tax credit on loss on ordinary activities	**520**	-

(b) Factors affecting current tax charge for the year:

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19.75% (2016 – 20.0%). The differences are explained below:

	2017 £'000	2016 £'000
Loss on ordinary activities before tax	(425)	(423)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.0% (2016 – 20.0%)	(84)	(85)
Effects of:		
Permanent disallowable items	20	-
Movement in deferred tax not recognised	28	-
Group relief surrendered/(received) for no payment	50	85
Transfer pricing adjustments	(14)	-
Adjustments in respect of previous years	520	-
Total tax credit for the year (note 7(a))	520	-

There are no provided deferred tax assets or liabilities at 30 June 2017. The Company has a potential deferred tax asset of £151,000 (2016: £nil) which does not meet the recognition criteria in accordance with FRS 102. Deferred tax assets have been stated at the corporation tax rate of 17% (2016: 18%), being the rate enacted at the balance sheet date at which deferred tax is expected to unwind. In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the rates enacted at the balance sheet date now standing at 19% from 1 April 2017 and 17% from 1 April 2020.

Notes to the financial statements

for the year ended 30 June 2017

8. Intangible fixed assets

	Goodwill	Internally Developed Software	**Total**
	£'000	£'000	**£'000**
Cost:			
At 1 July 2016	330	107	**437**
At 30 June 2017	330	107	**437**
Amortisation:			
At 1 July 2016	234	29	**263**
Provided during the year	17	21	**38**
At 30 June 2017	251	50	**301**
Net book value:			
At 30 June 2017	79	57	**136**
At 1 July 2016	96	78	**174**

9. Tangible fixed assets

	Leasehold property	Computer equipment	Fixtures and fittings	Assets in course of construction	**Total**
	£'000	£'000	£'000	£'000	**£'000**
Cost:					
At 1 July 2016	1,012	70	684	19	**1,785**
Additions	-	-	21	7	**28**
Disposals	-	(39)	(115)	(19)	**(173)**
At 30 June 2017	1,012	31	590	7	**1,640**
Depreciation:					
At 1 July 2016	415	65	555	-	**1,035**
Provided during the year	102	4	65	-	**171**
Disposals	-	(39)	(113)	-	**(152)**
At 30 June 2017	517	30	507	-	**1,054**
Net book value:					
At 30 June 2017	**495**	**1**	**83**	**7**	**586**
At 1 July 2016	597	5	129	19	750

Notes to the financial statements
for the year ended 30 June 2017

10. Investments

	Shares in subsidiary undertakings £
Cost and net book value:	
At 30 June 2016 and 30 June 2017	200

Details of the subsidiary undertakings are set out below. All holdings are of ordinary shares and are 100% holdings, including 100% of voting rights. All companies are incorporated in England and Wales.

Name of company	*Nature of business*	*Registered office address*
S & R Financial Limited	Dormant company	Cardinal House, Abbeyfield Road, Nottingham, UK, NG7 2SZ
Suttons and Robertsons Limited	Dormant company	Cardinal House, Abbeyfield Road, Nottingham, UK, NG7 2SZ

11. Stocks

	2017	2016
	£'000	£'000
Goods for resale	**2,587**	3,133

Inventories amounting to £3,931,000 (2016: £3,688,000) have been recognised as an expense in the financial statements.

12. Debtors

Amounts falling due within one year:

	2017	2016
	£'000	£'000
Secured loan advances to customers	**7,766**	13,422
Prepayments and accrued income	**149**	211
Other debtors	**244**	107
Amounts due from group undertakings	**94**	37
	8,253	13,777

Within amounts due from group undertakings there are the following trading balances where no interest is being charged, and balances are repayable on demand:

- Instant Cash Loans Limited: £57,000 (2016: £nil)
- Super Efectivo (SE): £37,000 (2016: £37,000)

Notes to the financial statements
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13. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Bank loans (note 15)	-	4,111
Amounts owed to group undertakings	574	2,244
Trade creditors	1	185
Accruals and deferred income	132	67
Other taxes and social security costs	33	50
Corporation tax	-	520
Other creditors	2	324
	742	7,501

Within amounts due to group undertakings there are the following trading balances where no interest is being charged, and balances are repayable on demand:

- Instant Cash Loans Limited: £nil (2016: £1,670,000)
- S&R Financial Limited: £109,000 (2016: £109,000)
- DMWSL 488 Limited: £271,000 (2016: £271,000)
- Nathan & Co (Birmingham) Limited: £179,000 (2016: £179,000)
- E.A. Barker Limited: £15,000 (2016: £15,000)

14. Creditors: amounts falling due after more than one year

	2017 £'000	2016 £'000
Deferred Lease Incentives	246	295

15. Loans

Loans repayable, included within current liabilities, are analysed as follows:

	2017 £'000	2016 £'000
Wholly repayable within two years (note 13)	-	4,111

The bank loans are secured on the domestic assets of T. M. Sutton Limited and DMWSL 488 Limited, a fellow group company.

Notes to the financial statements
for the year ended 30 June 2017

16. Provisions for liabilities

	2017	2016
	£'000	£'000
Store closure provision	**281**	292
Asset retirement obligation	**27**	27
	308	319

In September 2015, the directors announced their decision to consolidate the retail store network and close the underperforming stores. The result was 4 of the 9 stores were closed in the same month. The directors have no plans currently to close any further stores.

A provision of £1,556,000 was created in the year ended 30 June 2016 to cover the costs incurred with closing the stores and the write-down of the associated fixed assets. Costs of £1,264,000 were utilised against the provision, in the year ended 30 June 2016 and a further £11,000 was utilised in the year ended 30 June 2017, leaving a closing balance at 30 June 2017 of £281,000 (2016: £292,000). The director's expect this balance to be utilised in full during the next accounting year.

Separate to the store closure provision, the asset retirement obligation provision has been created to cover the cost of future dilapidation expenses, which will be incurred upon handing back the leased properties to the landlord(s). The terms of the lease agreements state that the Company is responsible for the cost of returning the property back to its original state, and therefore the directors consider it prudent to create a provision to cover the cost of doing so. The provision at 30 June 2017 was £27,000 (2016: £27,000).

	Store closure	Asset retirement obligation	**Total Provision**
	£'000	£'000	**£'000**
At 1 July 2015	-	-	**-**
Provided in the year	1,556	27	**1,583**
Utilised	(1,264)	-	**(1,264)**
At 1 July 2016	292	27	**319**
Utilised	(11)	-	**(11)**
At 30 June 2017	281	27	**308**

17. Called up share capital and reserves

		2017		2016
	No.	**£'000**	No.	£'000
Called up, issued and fully paid				
Ordinary shares of £1 each	**70,003**	**70**	70,003	70

The Company's other reserves are as follows:

The profit and loss reserve represents cumulative profits or losses.

Notes to the financial statements

for the year ended 30 June 2017

18. Pensions

The Company operates a defined contribution pension scheme for its directors and employees.

The assets of the scheme are held separately from those of the Company in an independently administered fund. At 30 June 2017 pension contributions totalling £1,000 (2016:

£2,000) were included within creditors.

19. Other financial commitments

At 30 June 2017 the Company had the following commitments under non-cancellable operating leases as set out below:

	Land and buildings	
	2017	2016
	£'000	£'000
Operating leases which expire:		
In one year	**542**	624
In two to five years	**1,654**	2,147
Over five years	**-**	114
	2,196	2,885

20. Related party transactions

The Company is a subsidiary undertaking of Sterling Mid-Holdings Limited, the group financial statements of which are publicly available.

Accordingly, the Company has taken advantage of the exemption in section 33 of FRS 102 from disclosing transactions with 100% members or investees of the Sterling Mid-Holdings Limited group.

21. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is Nathan & Co (Birmingham) Limited, a company incorporated in England and Wales.

The largest and smallest group for which financial statements are drawn up which incorporate the results of the Company is that headed by Sterling Mid-Holdings Limited, a company incorporated in the Bailiwick of Jersey. Copies of the group financial statements, which include the results of the Company, are available from 74 E Swedesford Road, Malvern, PA 19355.

The Company's ultimate parent undertaking and controlling party is Lone Star Fund VIII (Bermuda), L.P. a Bermuda limited partnership which is controlled by its general partner, Lone Star Partners VIII, L.P., a Bermuda limited partnership, which is controlled by its general partner Lone Star Management Co, VIII Ltd, a Bermuda exempted limited company.

Notes to the financial statements
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22. Subsequent events

On August 31, 2017, Dollar Financial U.K. Limited (DFUK), entered into a Share Purchase Agreement (the "Purchase Agreement") with a company incorporated in England and Wales (the "Buyer"), pursuant to which DFUK will dispose of its European businesses through the sale of 100% of the equity in Instant Cash Loans Ltd., DMWSL 488 Ltd., and Dollar Financial Europe Ltd., and their respective subsidiaries (the "Transaction").

Completion of the Transaction is subject to customary closing conditions, including, but not limited to, regulatory approvals and notices in the UK and Sweden, and any applicable antitrust approvals. The Purchase Agreement contains termination rights for Seller and Buyer in certain circumstances, including if the closing conditions are not satisfied within 180 calendar days after the signing of the Purchase Agreement, or such other date as the parties may agree in writing. As of the date of approval of these Financial Statements, the regulatory approvals remain pending.